## REMARKS

**Summary of the Office Action**

Claims 1-58 are pending.

Claims 1-3, 4-44 and 46-58 have been rejected under 35 U.S.C. § 102(b) as being anticipated by Claus et al. U.S. Patent No. 5,461,217 ("Claus"). Further, claims 4 and 45 have been rejected under 35 U.S.C. § 103(a) as being obvious from Claus in view of Carlisle et al. U.S. Patent No. 5,649,118 ("Carlisle").

**Applicants' Reply**

Applicants have amended independent claims 1, 25, 32, 37, 41 and 54 to clarify the invention. Applicants respectfully traverse the prior art rejections.

Prior art § 102(b) and § 103(a) rejections

Applicants' invention relates to systems and methods of communication between smart cards. In particular, the invention provides systems and methods for direct but secure transactions between smart cards (or other portable devices) without the need for accessing a host system to verify or authenticate process parameters such as time. According to applicants' invention, each smart card is embedded with its own trusted time clock, reference or parameter. (See e.g., specification page 5, lines 14-20). The embedded trusted time parameter may be hashed or otherwise represented by a sequence of numbers.

Claims 1, 25, 32, 37, 41, and 54, which are directed to the inventive systems and methods, all require (key-secured) communication between two smart cards to mutually update trusted times that are embedded in each of the two smart cards. The trusted times are represented by as sequence numbers. The methods and systems, according to these claims, involve comparing the trusted times

embedded on the two smart cards, and updating which ever one of the two smart cards has the less recent trusted time with the more recent trusted time from the other smart card.

Applicants respectfully submit that this feature of the invention is not shown, taught or suggested by Claus. As previously submitted, Claus describes systems and methods for providing secure electronic financial transactions using money stored on smart cards. (See e.g., Claus Abstract). Claus describes financial transactions between a bank and a smart card as well as between two smart cards. The financial transactions described by Claus include electronic transfer of money between the two smart cards, checking the amount of money stored on a smart card, and adding interest to the amount of money stored on the smart card. (See e.g., Claus Abstract). Claus describes money exchange software, interest/key update software, and administration software. (See e.g., Claus col. 6 lines 33-54). Claus refers to a "third field" in his data structure as variously containing a "public name," "credit amount" or "balance". (See e.g., Claus col. 11 lines 30-34 and 45-48, and col. 12, lines 39-43). Ostensibly for conventional bank accounting or recording purposes, Claus may keep a time stamp of transactions (e.g., date of deposit/withdrawal to compute interest earned). Claus describes updating card balance, and security keys, changing the date and updating the interest rate if necessary. (See Claus column 12, lines 42-55).

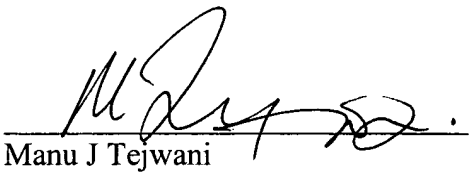
However, Claus does not describe embedding trusted times in a pair of smart cards or comparing such times. In particular, Claus does not show, teach or suggest the mutual determination of the latest of the two trusted times embedded in a pair of smart cards or then using this latest trusted time on both smart cards, as is required by applicants' independent claims. At least for this reason, independent claims 1, 25, 32, 37, 41 and 54 are patentable over Claus.

Further, dependent claims 2-24, 26-31, 33-36, 38-40, 42-53, and 55-58 are patentable over the cited prior art — Claus and Carlisle, for at least the same reasons as their corresponding parent claims 1, 25, 32, 37, 41 and 54 are patentable.

Conclusion

This application is now in condition for allowance. Reconsideration and prompt allowance of which are requested. If there are any remaining issues to be resolved, applicants respectfully request the Examiner to kindly contact the undersigned attorney by telephone for an interview.

Respectfully submitted,



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